

# Feds: Secaucus portfolio manager charged with wire fraud, aggravated identity theft

By John Heinis -March 6, 2021 12:00 pm

A portfolio manager and senior independent executive advisor at a Secaucus-based real estate fund used a sham loan document to defraud an investor out of hundreds of thousands of dollars, Acting U.S. Attorney Rachel Honig announced.



*Former NRIA Portfolio Manager Thomas Nicholas Salzano. Photo via NRIA.net.*

By John Heinis/Hudson County View

Thomas Nicholas Salzano, also known as Nick Salzano, of Secaucus, was charged by complaint with one count of wire fraud and one count of aggravated identity theft, Honig said in a statement.



Salzano appeared by videoconference on Thursday, March 4th before U.S. Magistrate Judge Leda Dunn Wettre and was released on a \$100,000 unsecured bond.

Salzano was employed at National Realty Investment Advisors (NRIA), a private real estate management fund with a purported \$1.25 billion in assets under management as of 2021.

In May 2018, Victim 1 purchased three purported units in NRIA's real estate investment fund for \$150,000, after hearing an advertisement for the fund on the radio, according to the [criminal complaint](#).

Individual 1, a vice president and senior independent project manager at NRIA, offered Victim 1 a guaranteed 6 percent return for each unit purchased, paid monthly, for the first two to two-and-a-half years of the five-year term, and the potential of greater guaranteed returns after the initial period.

Near the end of 2018, Individual 1 approached Victim 1 about a supposed new opportunity to become a joint venture partner with NRIA in a property in North Bergen allegedly owned by NRIA.

According to Individual 1, the minimum investment was \$300,000, and Victim 1 could use her original \$150,000 investment in the NRIA fund toward the required \$300,000 investment in the North Bergen property.

Victim 1 asked Individual 1 for more information on the North Bergen property. Individual 1 sent Victim 1 materials purporting to show that NRIA intended to obtain a \$25 million bank loan on the property, described as "a ground up condo project."

Victim 1 then asked for information on the loan and Individual 1 referred Victim 1 to Salzano.

On January 17th, 2019, Salzano emailed Victim 1 a purported letter of intent (LOI) from Lender 1, a loan provider for estate investors and developers, purportedly signed by Victim 2, the chief executive officer of Lender 1.

The LOI, sent by Salzano on February 15th, 2019, was fraudulent. A representative later confirmed that the letter was fraudulent and Victim 2's signature was forged.

As a result, Salzano altered his original email to Victim 1, which was below the February 19th, 2019 email, to falsely make it appear as though he was only sending Victim 1 a sample draft of an LOI by adding capitalized words to his original email.

"This took a day to clear release OF A SAMPLE DRAFT OF WHAT IT COULD LOOK LIKE FOR A LENDER LIKE [Lender 1] on but its a great project and a great loan."

The wire fraud charge carries a maximum potential penalty of 20 years in prison and a fine of \$250,000.

The aggravated identity theft charge is punishable by a mandatory sentence of two years in prison to be served consecutively to any other term of imprisonment imposed.

# With SEC probe underway, whistleblower alleges fraud at Secaucus-based real estate fund

By [John Heinis](#) - April 26, 2021 2:24 pm

With a U.S. Securities and Exchange Commission (SEC) probe underway, a whistleblower is alleging that fraud is taking place at Secaucus-based real estate fund National Reality Investment Advisors (NRIA), which boasts over \$1 billion in assets under management.



*Inset photo of Barry Minkow. Background photo via nria.net.*

By John Heinis/Hudson County View

"The record shows, FOIA request prove, that in August 2020 I filed a report with the SEC on a whistleblower statute and filed a report. I was communicating with



the chair of the SEC before that," Barry Minkow, 55, exclusively told HCV in a phone interview.

His August 7th complaint filed with the SEC said the NRIA's conduct is a fraudulent investment, in particular a Ponzi/pyramid scheme.

"NRIA is offering returns that appear to be unparalleled in the industry. Their cost of capital is, for lack of a better term, astronomical. They advertise on a national scale every day for new investors (see point 2) AND they are offering returns ranging from 10% per year paid monthly," he wrote, noting that other commercials made the same claims with 16 and 21 percent.

Minkow later points out that he is not your typical fraud investigator.

"I worked with the SEC uncovering frauds mostly from your Los Angeles office with Peter Del Greco. We did numerous cases together. However, I returned to prison for insider trading in 2011 and was released in 2018," the report says.

"There was never a time when I submitted an investment fraud case to the SEC that it did not result in a TRO or indictment (public company submissions are another story and why I went back prison). So in the interest of full disclosure I am a two-time loser. However, I cannot afford to make another mistake. I do not believe I am wrong about this entity although I hope am based on the scope/size of this company's reach."

Minkow famously started the ZZZZ Best carpet cleaning company, eventually a publicly traded company, when he was still in high school, though it collapsed in 1987 and ended up being revealed as a massive Ponzi scheme that cost investors \$100 million.

While he was sentenced to 25 years in prison on charges including racketeering, securities fraud, money laundering, embezzlement, and bank fraud, he ended up serving under seven-and-a-half years.

After a second prison stint for insider trading and church fraud, Minkow has been focused on uncovering corruption in the private sector, especially when it comes to Ponzi schemes (his exploits are depicted in the 2018 theatrical release *Con Man*).

On August 10th, three days after submitting his report to the SEC, Minkow engaged in an email conversation with NRIA Senior Project Manager Brian Harrington asking the implications of doing a five-year, \$250,000 investment.

"Your principal will always be secured by the entire portfolio (currently 18 developments valued at \$1.2 billion). This structure offers much more diversity & security than being dependent on just a small number," according to Harrington's emailed response.

Furthermore, the company executive says that if Minkow's friend invested the minimum of \$50,000, he would receive a "profit-sharing bonus."

"Your percentage goes up the more your friend invests. I'll send you the bonus email detailing the percentage from \$300K up to \$1 million," Harrington wrote.

"That's a crime: I believe our report showed clearly that someone at the senior executive level is corrupt," Minkow exclaimed over the phone.

On October 9th, the SEC said through a subpoena that they had opened a formal investigation into the NRIA, seeking Minkow's documents and communications related to the Hudson County company.

"Fraud is not compartmentalized: you have an environment there where the number 1 goal is raising money. Yes, NRIA, has some very nice properties they've bought, they have some very good projects and some very good partners," he continued.

"But that's all the skin of the truth stuffed with a lie. For example, they double pledge their real estate holdings resulting in not one of their investors actually having a real estate secured investment which is what they advertise."

Last month, former NRIA Portfolio Manager Thomas Nicholas Salzano was charged by the U.S Attorney's Office with wire fraud and aggravated identity theft after using a sham loan document to defraud an investor out of hundreds of thousands of dollars.

The criminal complaint in that case identifies Individual 1 as a vice president and senior independent project manager at NRIA who offered Victim 1 a guaranteed 6 percent return for each unit purchased, paid monthly, for the first two to two-and-a-half years of the five-year term, and the potential of greater guaranteed returns after the initial period.

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Federal prosecutors also said at the time that NRIA has \$1.25 billion in assets under management.

Minkow says that's just the tip of the iceberg at NRIA, noting that their executive vice president senior project manager is Arthur Scutaro, while an

Arthur Scuttaro is named in a [2009 bankruptcy filing](#) that includes several other defendants such as Salzano.

Ultimately, Minkow acknowledges that some people may be skeptical of what he has to say due to his past indiscretions, but he points out that he's on probation until June 2022 and could face harsh penalties if he lies to law enforcement.

"I looked at them [NRIA] back in 2019 and started watching their commercials and reading their social media posts where they advertised 'Greed is good.' I'd been out of jail for like a year and I didn't want to get back into this, but I thought to myself, 'this just doesn't sound good at all,'" Minkow recalled.

"Then I remembered Judge Seitz at my sentencing hearing in Miami telling me on the record that when I got out, I needed to help people by uncovering fraud but to stay far away from public companies. And after I found out NRIA is raising a million dollars a day from the public, I was glad I got involved to hopefully help people before they lose money."

Harrington and other NRIA representatives did not return inquiries seeking comment.



# This N.J. firm promises to make clients rich. Is it too good to be true?

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A nine-month investigation by NJ Advance Media raises troubling questions about NRIA's practices and business connections. JoAnne Coughlin Walsh

By **Bill Myers and Kyle Campbell** | For NJ.com

The billboards offer an irresistible come-on, the promise of a pristine life on Easy Street.

"Realty Investment Done Right" one says, alongside an image of a silver-haired couple riding bicycles on the beach.

Radio ads for the same realty company feature former Fox News personality Bill O'Reilly, promising a "10-per-cent monthly payout."

Yes, there is fine print — for one thing, National Realty Investment Advisors will only accept minimum investments of \$100,000. (Hey, it takes money to make money.) But the Secaucus-based private equity firm portrays its "cash recycling" investment strategy as foolproof.

NRIA claims to have amassed \$1.25 billion in assets in 15 years in business, focusing on high-end real estate in gentrifying city neighborhoods and tony suburbs from Palm Beach to Brooklyn, with stops in Bergen and Hudson counties. The firm also runs lucrative businesses in India, Dubai and Thailand, selling chances at American green cards to rich foreigners and their families.

"We're getting a name for ourselves," NRIA vice president Brian Harrington said last year in an interview with NJ Advance Media. "We want to be considered an equivalent option to investors as they would consider companies like Vanguard, Fidelity."

The alluring pitch, however, may mask a more sordid reality.

On the morning of March 4, FBI agents surrounded the Secaucus home of the firm's then-portfolio manager, Nick Salzano. A tense, hours-long standoff ensued, locking down the suburban neighborhood. When Salzano eventually surrendered, [authorities charged him](#) with attempting to con an investor as part of a North Bergen housing development project. Prosecutors say he also forged a multimillion-dollar loan guarantee in 2019 to squeeze another \$150,000 out of a Silicon Valley woman. The investigation has widened to include other NRIA leaders, including founder Rey Grabato, and his lieutenant, Coley O'Brien, sources with direct knowledge of the proceedings said. Grabato's signature appeared on the doctored loan agreement, according to federal charging documents.

The U.S. Securities and Exchange Commission and the New Jersey Bureau of Securities are also investigating, the source said.

Neither NRIA nor any of its other executives, who declined multiple interview requests, have been accused of any wrongdoing. Through a spokesman, the firm says it is "actively cooperating with investigators and is making documents and financial reports available to them," a spokesman said in a statement.

"Nothing about the charges against Mr. Salzano call into question NRIA's perfect investor track record with zero investor losses," the spokesman said in an email statement. "Mr. Salzano is charged as an individual. NRIA is not charged with any wrongdoing and is moving ahead as we continue to provide positive real estate investment opportunities for sophisticated investors."



NRIA President Rey Grabato speaks at a groundbreaking ceremony in August for The Grand apartment development project in West New York.

Regulators have already deposed Grabato and O'Brien, the law enforcement sources told NJ Advance Media. Both men have declined to answer questions, citing their Fifth Amendment rights against self-incrimination, the sources said.

Whatever regulators or the FBI decide to do next, they'll have plenty of questions to ask. A yearlong investigation by NJ Advance Media raises troubling questions about the firm's practices and business connections.

The transformation of a small-time fix-and-flip business into a billion-dollar investment firm tucked near the banks of the Hackensack River has caught the attention of market watchers.

Who are the men — [they are all men](#) — who comprise its management team, operating from a 10-story, glass-walled office building in the Meadowlands? And how has NRIA soared among those "sophisticated investors" despite mass marketing efforts that resemble TV infomercials, using celebrity pitchmen such as O'Reilly and NFL legend Lawrence Taylor cutting ribbons in front of swanky townhomes in Florham Park?

Potential answers only raise more questions.

In digital ads and confidential memos to would-be investors, the firm guarantees a Bernie Madoff-sized return of at least 12% on investments. One memo suggests that actual returns might even reach 21%.

"Any time a return is guaranteed, you've got to ask, 'Why? What's going on? How can you guarantee a return?'" says Toni Caiazza Neff, an independent compliance expert based in Boyertown, Pennsylvania, whose whistleblowing led to criminal and civil charges against a \$1.8 billion New York private equity fund and its executives earlier this year. "When you see a guarantee of a high return with zero risk, that is a classic red flag."

The NJ Advance Media investigation also uncovered a relationship between NRIA and [Phil "Disney" McFillin](#), a convicted mobster and lifelong associate of Philadelphia's La Cosa Nostra crime family. McFillin is a friend and partner of Joe "Seaside" Rocco, another mob associate.

McFillin, now 78, did time in federal prison in the mid-1990s after admitting he shook down Atlantic City property owners for the mafia. A 1992 New Jersey Crime Commission report on the Garden State bar scene accused McFillin and Rocco of running an illegal sports betting operation from the late 1970s through the early 1990s. As recently as 2011, the FBI warned police in South Florida that McFillin was using front companies in real estate scams and "kicking up" to his old friends in Philadelphia.

Efforts to reach Rocco were unsuccessful. In a brief phone interview in April, McFillin acknowledged he had "done some business with" NRIA, "but that was years ago," he said.

"My lawyer says I shouldn't talk to you," he said, before hanging up. (Tom Carney, McFillin's lawyer and a former mayor of Delray Beach, Florida, declined to comment.)

McFillin served as "an independent consultant locator of properties for numerous" projects in Philadelphia and Palm Beach County, Florida, the NRIA spokesman said. McFillin "did successfully locate and assign some limited number of property purchase contracts," but he "is and always has been unaffiliated with NRIA in any way, shape or form."

"Like most significant entities in the financial space," the spokesman added, "we have been audited, investigated and vetted by government agencies before and have always come out with our stellar reputation intact."





The Grand apartment development in West New York is just another NRIA project in North Jersey.

## Pioneers?

Rey Grabato's initial vision was modest.

He wanted to build and renovate houses in Philadelphia, taking advantage of attractive tax benefits.

Grabato, a Filipino immigrant, launched NRIA in 2006 after serving as a mid-level executive for local mortgage companies in North Jersey and Pennsylvania.

The new firm focused on flipping homes in gentrifying neighborhoods in Philadelphia and lining up individual investors with ready-to-move condos, townhomes and houses. Grabato built his team from the same fix-and-flip scene where he started.

The 2007-08 real estate crash proved propitious for the firm. While housing prices plummeted and [3.8 million U.S. homes faced foreclosure](#), NRIA bought up properties in droves.

Indeed, NRIA is one of thousands of private equity companies that rose and soared from the ashes of the Great Recession. Loopholes carved into reforms passed under



the Obama Administration absolved such companies — called exempt reporting advisers — from registering with federal or state regulators.

The exempt reporting market has nearly doubled since the financial crisis. Last year, it was worth \$1.5 trillion — larger than all public markets, such as the New York Stock Exchange, combined, SEC records show.

Grabato, 42, became one of the most active developers in Philadelphia, North Jersey and Delray Beach, Florida. By 2015, NRIA claimed its investors had obtained more than \$400 million in equity from just \$30 million in investments.

It pulled off those seemingly miraculous returns, NRIA claimed, because it had “pioneered” what it called its “cash recycling” system. Most private equity firms raise money from wealthy investors or large institutions such as state pension funds under strict agreements. Typically, the agreements promise returns within a few years or a few months. They also require the money to go specifically to the agreed-upon investment — say, office buildings in Bergen County.

If the investment in Bergen County offices pays off dramatically and quickly, private equity firms can, under rare circumstances, cash out on that project and reinvest the profits elsewhere. It’s rare enough on its own for singular investments, because investor agreements tend to be tightly written. It’s unheard of for a firm to base its entire strategy on cash recycling.

A growing chorus of critics — including SEC Chairman Gary Gensler — say it’s time to put an end to the kind of self-regulation that has allowed companies like NRIA to flourish. Gensler has put [exempt private funds](#) at the top of his reform agenda. “The reality is, for many of these cases, nobody is going to know until the horse is long out of the barn that the issuer is doing business in the states, and that’s a problem,” says Rick Barry, the former enforcement chief for the New Jersey Bureau of Securities. “When there is a problem with exempt offerings, by the time it all gets uncovered, the money is usually gone. And it’s expensive (and) difficult — if not impossible — to recover any money.”



NRIA claims to have amassed \$1.25 billion in assets in 15 years in business, focusing on high-end real estate in gentrifying city neighborhoods and tony suburbs. JoAnne Coughlin Walsh

While Nick Salzano had been with NRIA from its launch, the Salzano imprint on the firm stretches beyond just the former manager. In 2007, he brought in a young relative, Dustin Salzano, who is an advisor to NRIA's board and whose construction company partners with the firm on projects. Another young relative, Bethany Salzano Stafirny, became director of investor relations in 2012.

Although Nick Salzano is the only NRIA employee charged with wrongdoing, federal agents identified Grabato as "Individual 2, the president and chief executive officer of NRIA," in the charging documents. They say Grabato's signature was on the doctored loan agreement. They also say once the investor discovered the fabrication, an unidentified NRIA senior vice president — "Individual 1" — tried to talk her out of getting her money back.

But the progression of the case offers still more intrigue.

In white collar fraud cases, it's common for prosecutors to send a target letter to those at the center of an investigation. This is routine in cases like Salzano's, where authorities don't think the fraud is ongoing.

The target letter usually warns that prosecutors are ready to bring a case to a grand jury and gives the target a chance to speak with prosecutors, off the record, about the investigation. If a deal can't be worked out, prosecutors then move to indict the defendant.

Yet federal authorities surrounded Salzano's home without indicting him, despite prosecutors alleging that the fraud ended in 2019.

Officials at New Jersey's FBI field office and the U.S. Attorney's Office declined to comment.

Jeff Harris, Nick Salzano's attorney, waived his client's right to a preliminary hearing, leading some observers to speculate that he is hoping to work out a plea deal. Prosecutors agreed to continue his case until the fall "in the interests of justice," which hasn't quieted the gossip. Salzano's attorney declined to comment. Salzano is free pending trial.



U.S. Sen. Robert Menendez speaks at a ceremonial groundbreaking in November 2019 marking the start of construction on The Station, a luxury high-rise in West New York's business district, another NRIA project. Reena Rose Sibayan | The Jersey Journal

## A new horizon

Grabato hired a new partner in 2016. Coley O'Brien wasn't like the firm's other managers.

An alumnus of Morgan Stanley, O'Brien had spent the previous six years as a director at MKB Capital Management, a \$9 billion hedge fund with offices in London and New York.

The Michigan native, bespectacled with an iron jaw and close-cropped brown hair, brought with him the dash of a Wall Street raider.

Soon NRIA was trying something new.

Under federal law, private equity companies with \$150 million or more in assets under management must register as investment advisers with the SEC. They're required to file an annual public report describing their organization and quarterly confidential reports to help regulators monitor risk and compliance.

But there's a huge exception. Under the [2012 JOBS Act](#), private funds were allowed to make "general solicitations" — that is, sell their wares to the public — as long as they sold only to "accredited investors," wealthy people or organizations. Such "exempt" funds must file founding paperwork with the SEC once they make a sale, but are not required to issue follow-up reports.

Before O'Brien's hiring, NRIA had never floated its own exempt private equity fund. By the time his first year was over, the firm had created eight of them, all focused on real estate in Brooklyn. Since 2016, it has launched at least 16 different funds, SEC records show.

The early goals were conservative — NRIA hoped to raise a little more than \$8 million through those first funds. But the filings showed that a small, fix-and-flip shop can navigate the Byzantine world of high finance and make its own claim to empire.

Only one of those funds — the NRIA Partners Portfolio Fund I, launched in 2018 — seems to have attracted any backers. But that's apparently been enough. The fund had raised more than \$459 million from 1,385 investors, according to an amended report the firm filed March 18 with the SEC. That's more than double the fund's earnings from last summer, records show.

The Partners Portfolio investments, in turn, have allowed NRIA to borrow even more money. Up to 75% of its assets come through debt, the company said in a confidential 2020 memo to would-be investors.

O'Brien has been rewarded handsomely for his contributions.

Grabato named O'Brien co-chief investment officer, NRIA's second-in-command. Grabato also made O'Brien minority owner of the firm through one of O'Brien's front companies. (Registering his front company as co-owner rather than himself gives O'Brien some immunity from personal liability should anything go wrong with the firm.)



“Our success is dependent on our key personnel,” the firm says in that confidential 2020 memo. “We believe that our success will depend on continued retention by us of our officers and advisors, especially including Rey Grabato, our President ... and D. Coley O’Brien, co-CIO.”

While it was building its fortunes and its profile through aggressive advertising, NRIA also forged a relationship with old-school business partners who weren’t interested in advertising at all — McFillin and Rocco.

In November 2014, NRIA bought development rights to land in the 200 block of Front Street in Philadelphia, city records show. The firm dubbed the project Franklin Village. NRIA bought the rights from 107 Callowhill Street LP, a company that had purchased the property just a week earlier, according to records.

Callowhill’s founding manager is Joe Rocco, according to the Pennsylvania Department of State’s Corporation Bureau records. He and McFillin are partners in dozens of ventures in New Jersey, Philadelphia and Florida, records show.

NRIA would go back to McFillin often over the next several years, public records show. In Philadelphia alone, McFillin or Rocco were involved in at least four other NRIA projects between April 2015 and February 2017.

They’ve even been partners in litigation. In 2015, a rival property developer sued McFillin and NRIA, alleging that he had been swindled in a deal for townhouses in 100 block of Front Street. NRIA settled out of court. McFillin won on a pretrial motion, court records show.

There is also at least one curious transaction involving personal overlap between McFillin/Rocco and Grabato, in Philadelphia. In February 2020, Grabato bought a home under his own name from Meagan and Philip Ortega for \$675,000. The couple had bought the home in February 2017 from Pelican Investment Group LLC. Pelican is another McFillin/Rocco company, Florida and Pennsylvania business records show.

The relationship hasn’t gone in just one direction. Palm Beach County property records show that Grabato sold land in Delray Beach to one of McFillin’s companies in July 2020.

Grabato bought the property through one of his front companies in 2017, the records show. He paid more than \$3 million. In July 2020, Grabato sold it to McFillin for \$2.5 million. Eight months later, McFillin sold the same land for \$3.9 million, records show.



Despite the scrutiny Salzano's arrest has brought the company, NRIA's quest for growth continues.

On March 24 — three weeks after the standoff in Secaucus — NRIA filed paperwork with the SEC to launch a new fund. The minimum investment will be \$1 million, the company says. The goal is to raise another \$250 million.

Salzano is due back in court Nov. 30.

*CORRECTION: A previous version of this story contained a number of errors that have been corrected. Due to an editing error, the story incorrectly referred to Bill O'Reilly's role — he has appeared in radio ads for NRIA, but not on billboards. The story also included a quote from an out-of-date version of the company's website — that quote has been removed from the story. The minimum investment required to invest with NRIA changed from \$1,000,000 to \$100,000 in June. The story mischaracterized the amount Meagan and Philip Ortega paid for their home; it was \$608,115, not \$1. The story also implied that NRIA had a longstanding relationship with Joe "Seaside" Rocco. Records show Rocco involved in only one transaction with the company.*

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